

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L EC BRUSSELS 11975

E.O. 11652: GDS

TAGS: EEC, EFIN

SUBJECT: ORTOLI ON ECONOMIC SUMMIT

1. EC COMMISSION PRESIDENT ORTOLI, ACCOMPANIED BY HIS CHEF DE CABINET GAUTIER-SAUVAGNAC, LUNCED WITH DCM MORRIS AND MYSELF AT THE RESIDENCE DEC 7. ASKED IF HE COULD SHED ANY FURTHER LIGHT ON EC ATTITUDES TOWARD POTENTIAL ECONOMIC SUMMIT NEXT YEAR, ORTOLI BEGAN BY SAYING HE HAD URGED DUTCH LAST SEPT TO USE THEIR PRESIDENCY TO DRIVE THE MEMBER STATES TOWARD BETTER COMPREHENSION OF WHAT EC ATTITUDE TOWARD FUTURE SUMMITS SHOULD BE AND HOW COMMUNITY SHOULD PREPARE ITSELF TO MAKE POSITIVE CONTRIBUTION TO SUCH A DIALOGUE AMONG MAJOR INDUSTRIALIZED COUNTRIES. DUTCH RESPONSE HAD BEEN INADEQUATE. THUS, IN DYING DAYS OF BOTH THEIR INCUMBENCIES, NOTHING MORE WOULD BE DONE UNTIL NEW COMMISSION AND NEW PRESIDENCY COUNTRY ASSUME THEIR RESPONSIBILITIES IN JANUARY.

2. THIS SAID, ORTOLI NOTED THAT HE HAD INTERVENED DURING EUROPEAN COUNCIL DISCUSSION LAST MONTH IN THE HAGUE TO STRESS AGAIN THE IMPORTANCE HE PERSONALLY ATTACHED TO WELL-PREPARED COMMUNITY INITIATIVE. IN HIS VIEW, A "COMMUNITY PRESENCE" AT SUCH SUMMIT MEETINGS, WHILE IMPORTANT, CANNOT BE DEFENDED ON JURISDICTIONAL GROUNDS ALONE, WITHOUT THE COMMUNITY AS SUCH BEING IN A POSITION TO BRING TO SUCH MEETINGS SOMETHING OF REAL VALUE. TO PREPARE GROUND FOR THIS, HE ALLEGEDLY

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TOLD CHIEFS OF GOVERNMENT, COMMUNITY MUST COME TO GRIPS WITH

BASIC ISSUES SUCH AS JOINT EFFORT TO REVIVE EUROPEAN ECONOMY, END EUROPEAN MONETARY DISARRAY, ESTABLISH COMMUNITY ENERGY POLICY, AND COPE WITH NORTH-SOUTH ISSUES. THEN COMMUNITY MUST RESOLVE THESE PROBLEMS IN A CONTINUING RELATIONSHIP AND DIALOGUE WITH ITS MAIN PARTNERS, IN PARTICULAR THE U.S.

3. CONCERNING MONETARY POLICY, ORTOLI WAS CRITICAL OF ACHIEVEMENTS TO DATE OF MONETARY REFORM EFFORT ALTHOUGH HE ADMITTED NEW IMF RULES PROVIDE FRAMEWORK WITHIN WHICH NEEDED ADDITIONAL ARRANGEMENTS CAN POSSIBLY BE MADE. HE ARGUED MORE RATE STABILITY IS ESSENTIAL AND SAID THAT DIFFICULT TECHNICAL PROBLEM FOR WHICH ANSWER HAD TO BE FOUND WAS HOW TO KEEP SPECULATIVE CAPITAL MOVEMENTS UNDER CONTROL. HE WONDERED IF WESTERN MONETARY ORGANIZATION WHICH WOULD MOBILIZE OVERWHELMING EXCHANGE RESERVES TO COUNTERACT SPECULATORS TOGETHER WITH "TARGET ZONE" RATE SYSTEM MIGHT NOT BE ELABORATED. PROBLEM WAS BOTH CRITICAL FOR FUTURE OF COMMUNITY AND AT SAME TIME TOO LARGE FOR COMMUNITY TO SOLVE ON ITS OWN. BUT HE REITERATED THAT COMBINATION OF IMF FRAMEWORK AND DUISENBERG TARGET ZONE APPROACH MERITED IN-DEPTH TECHNICAL STUDY AND DEVELOPMENT. HOWEVER, HE ACKNOWLEDGED THAT WITHOUT ADEQUATE FINANCIAL RESOURCES TO BACK IT UP, DUISENBERG PLAN WAS NOT VIABLE.

4. ORTOLI ALSO URGED THAT MORE CAREFUL CONTINUING STAFF WORK SHOULD BE REQUIRED TO MAKE INDUSTRIAL DEMOCRACY ECONOMIC SUMMITS MORE USEFUL. BOTH FROM THIS PERSPECTIVE AND ON ITS OWN MERITS HE URGED FUTURE EXPANSION OF US-COMMISSION BILATERAL RELATIONS TO GO BEYOND QUESTIONS OF COMMERCIAL POLICY AND NORTH-SOUTH RELATIONS WHICH HAVE BEEN MAIN BILATERAL CONCERNS UP TO NOW. HE SAYS HE IS NOT SURE WHAT HIS OWN ROLE IN RECONSTITUTED COMMISSION WILL BE, BUT THAT HE BELIEVES HE IS BEST QUALIFIED TO TAKE ON ECONOMIC AND FINANCIAL ISSUES. SHOULD THIS COME ABOUT, HE WOULD PLAN PERSONALLY TO DO ALL HE COULD TO STRENGTHEN US-COMMUNITY DIALOGUE RE ECONOMIC POLICY MATTERS.

5. ORTOLI SAID THAT PERSONALLY HE DID NOT REGRET THAT FORMULA FOR COMMUNITY PRESENCE AT PUERTO RICO DID NOT SUCCEED LAST SUMMER, SINCE EC WAS ILL-PREPARED AT THAT TIME TO PLAY THE ROLE IT SHOULD. HE CONCLUDED BY EXPRESSING HIS CONFIDENCE THAT THE EC WOULD TACKLE BOTH PROCEDURAL AND SUBSTANTIVE ASPECTS OF ITS "PRESENCE"

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EARLY NEXT YEAR AND THAT COMMUNITY WOULD BE ABLE TO PARTICIPATE AS SUCH IN THE NEXT ECONOMIC SUMMIT.

6. WE ALSO BRIEFLY DISCUSSED EURATOM-IAEA ISSUE, POTENTIAL GRAVITY OF WHICH ORTOLI APPEARED NOT TO HAVE PREVIOUSLY GRASPED. HINTON

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